

OFFICE OF THE TREASURER

P.O. Box 942809
Sacramento, CA 94209-0001
(800) 900-3873
www.treasurer.ca.gov



The Treasury Note

A monthly newsletter of Municipal Finance
October 1, 1999

Recent State Bond Sales

\$400 Million G.O. Bonds

On September 14, the State held a competitive sale for \$400 million in General Obligation bonds. Bids were submitted by four syndicates, led by Merrill Lynch & Co.; Banc of America Securities LLC.; Bear Stearns & Co., Inc.; and Goldman, Sachs & Co. Merrill Lynch & Co. won the bid with a true interest cost of 5.3996%.

The bonds were rated AA-/AA-/Aa3 by Fitch IBCA, Inc., Standard & Poor's, and Moody's Investors Service, respectively. Proceeds from the bonds will fund modernization of older K-12 education facilities, as well as the construction of new facilities. The bonds are part of those authorized by the voters' approval of Proposition 1A in November 1998.

\$1 Billion RANs

On September 22, the State sold \$1 billion in Revenue Anticipation Notes (RANs). RANs are used to meet the State's short-term cash needs throughout the fiscal year. Two separate series were issued. The \$750 million Series A portion had a 4.00% coupon and a yield of 3.30%. The \$250 million Series B portion had a 6.00% coupon and a 3.16% yield. The closing date for both series is October 1, 1999. The maturity date is June 30, 2000.

The RANs were sold in a negotiated sale led by senior manager Lehman Brothers. Co-senior managers for the sale included Banc of America Securities LLC, E.J. De La Rosa & Co., J.P. Morgan Securities, Morgan Stanley Dean Witter, and Redwood Securities Group.

The RANs received the highest short-term ratings possible, MIG1, F1+ and SP-1+, from Moody's, Fitch IBCA, Inc., and Standard & Poor's, respectively.

Internet Presentation



California became the first state to broadcast an investor presentation through Bloomberg's "Roadshows" Internet site. In a presentation geared toward investors for the recent RANs sale, the State Treasurer and the Director of Finance narrated electronic slides with information about California's bright economic and financial picture, key points of the 1999-2000 State Budget Act, and an overview of California's debt management. Past clients of the "Roadshows" service have been primarily corporate borrowers.

You can view this presentation on the internet through October 14, 1999 at <http://quote.bloomberg.com/roadshow/>. You will need the password "**rachmil**", provided by the underwriter, to log in to the site.

The State is committed to prudent use of new technology to disseminate pertinent information in the most efficient and effective manner. Although this emerging technology is still being fine-tuned, there are plans to create more electronic presentations in the future.

Debt Affordability Update

A supplement to California's annual Debt Affordability report will be delivered to the Governor and the Legislature on October 1, 1999. The supplement brings up to date financial and statistical information as required by statute. The upcoming report supplements a special update of the report provided by the Treasurer earlier this year—**Smart Investments**—to make a timely contribution to deliberations on the vital matter of public investment in California's future.

Listing of Redemptions

The item below reflects the only redemption officially announced as of October 1, 1999. These bonds will be redeemed on November 1, 1999.

Trustees of the California State University Housing System Revenue Bonds, Series AK, Dated Date: May 1, 1990 (Full Redemption)

All bonds will be redeemed.

For questions regarding the purpose or timing of this call, or for redemption or registration information please call (800) 900-3873.

Frequently Asked Questions?

Q: How can I find out which state-issued bonds are available?

A: The State maintains a list of upcoming and previously sold bond sales (see Bond Sales Calendar below). The calendar and a list of previously sold bonds are also available on our web site at www.treasurer.ca.gov/ or by calling (800) 900-3873.

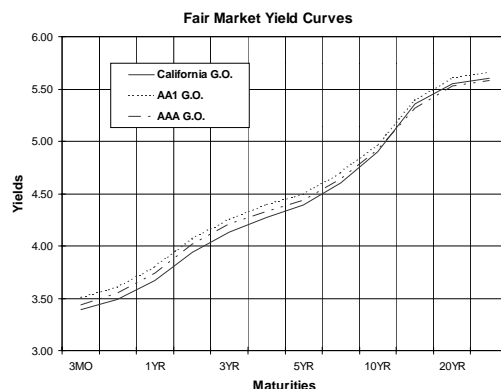
If you are interested in a prior issue of California State bonds, your brokers can check their availability on the secondary market through their trading systems network.

For Your Information

According to Bloomberg Financial Services, California General Obligation (GO) bonds, rated AA-/Aa3/AA- by Fitch, Moody's and Standard & Poor's respectively, are traded at significantly higher values compared to generic "double A" general obligation bonds (see chart below).

For example, a 20-year California GO bond trades at a yield of 5.55 percent while a generic "double A" GO bond trades at 5.61 percent, a difference of 0.06 percent. A generic "triple A" GO bond trades at 5.53 percent, a 0.02 percent difference when compared to a California GO bond rated a full category lower.

What does this mean to bondholders? It means California bonds are perceived as having lower credit and liquidity risk, and therefore greater security, relative to similarly rated issues. What does this mean to taxpayers in the State of California? It means California is able to borrow money at a less expensive rate, saving taxpayers money in the long run.



Source: Bloomberg September 15, 1999

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information regarding upcoming sales, please contact the *Debt Issuance Section* at (800) 900-3873.

BOND SALES	AMOUNT	SALE DATE
State Public Works Board, Department of Health Services' Richmond Laboratory, Phases I & II	\$220 million	October 7
Various Purpose General Obligation Bonds	\$400 million	October 20
Department of Veterans Affairs, General Obligation Bonds	Up to \$500 million	October 28
State Public Works Board, Veterans Home in Chula Vista	\$13 million	Early to Mid November
California State University Housing System Revenue Bonds and Pomona Student Union Revenue Bonds	\$62 million	November 30
Various Purpose General Obligation Bonds	\$250 - \$500 million	Early December

*Subject to change without notice. Updates can be obtained at www.treasurer.ca.gov